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The MENA WEEKLY MONITOR

Economy

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The MENA region raised US$ 2.9 billion through 26 IPOs in 2018, said the latest “MENA IPO Eye” report from Ernst & Young. Compared to 2017, IPOs’ value saw a yearly decrease of 24.6%, while activity declined by 23.5%.

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p.9 REGIONAL EQUITY AND BOND PRICES MOSTLY UP WEEK-ON-WEEK

MENA equity markets registered shy price gains week-on-week, as reflected by a 0.3% rise in the S&P Pan Arab Composite Index. The UAE equity markets led the advance in the region, posting price increases of 3.4%, while the Qatar Exchange and the Egyptian Exchange recorded price rises of 1.9% and 1.3% respectively. In contrast, the heavyweight Saudi Tadawul posted shy weekly price retreats of 0.9%. As to regional fixed income markets, activity was also mostly skewed to the upside, mainly tracking prices of US Treasuries which remained high amid lingering concerns about a weakening global economy.

MENA MARKETS: WEEK OF FEBRUARY 17 - FEBRUARY 23, 2019

Stock market weekly trend	↑	Bond market weekly trend	↑
Weekly stock price performance	+0.3%	Weekly Z-spread based bond index	-4.1%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+5.8%	YTD Z-spread based bond index	-13.8%

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ECONOMY

EY SAYS MENA SAW 26 IPOs RAISING AROUND US$ 2.9 BILLION DURING 2018

The MENA region raised US$ 2.9 billion through 26 IPOs (initial public offerings) in 2018, said the latest "MENA IPO Eye" report from Ernst & Young (EY). Compared to 2017, IPOs' value saw a yearly decrease of 24.6%, while activity declined by 23.5%.

IPO activity in the MENA region saw a contraction in 2018 as several entities across the region deferred their plans for IPOs. This can be attributed to various reasons including challenging economic conditions affecting regional businesses and global trade concerns, as per EY officials.

Moreover, regulatory changes and a rising interest rate environment over the past year have also contributed to decreased activity. Despite the slowdown, 26 IPOs were recorded in the region across sectors over the past year, indicating an appetite for more diversified activity, as per the same source. In the GCC, 18 deals were recorded in 2018 with a total value of US$ 2.6 billion. Saudi Arabia led IPO activity in 2018 with 12 IPOs worth US$ 1.5 billion, according to EY.

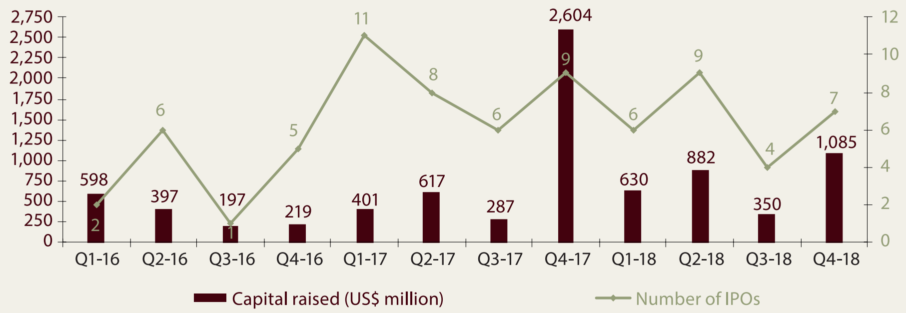
In the fourth quarter of 2018, the MENA region witnessed seven IPOs, one of which was a REIT listing, for a total deal value of US$ 1.1 billion.

In details, Saudi Arabia witnessed two IPOs in Q4 2018, including Alkhabeer REIT which raised US$ 64.1 million and the National Company for Learning & Education which raised US$ 66.7 million. Furthermore, Tadawul is working on several initiatives including launching stock index futures (planned for Q1 2019) and launching a special incentive program for local companies to list.

The country is also planning the privatization of more than 20 companies in 2019 in sectors such as water, agriculture, energy, and sports. To help increase transparency, the government plans to retain minority interests in the businesses and undertake IPOs and other transactions for a certain percentage of each asset, as per the EY report.

Furthermore, the Bahrain Stock Exchange saw the IPO of port operator APM Terminals in Q4 2018 raise US$ 32 million. The IPO was oversubscribed by 5.4 times, making it the most successful IPO in Bahrain in over a decade, as per the report. According to EY, Nasdaq Dubai plans to launch futures trading on the

MENA IPO ACTIVITY



Sources: EY, Bank Audi's Group Research Department

MSCI United Arab Emirates equity index in 2019 to provide investors a new avenue to gain exposure to UAE companies.

In Kuwait, S&P has issued a statement that the country would be added to the S&P Dow Jones Global Benchmark Indices with an emerging market classification in 2019. The Kuwait Stock Exchange is currently awaiting MSCI's decision in 2019 on upgrading the exchange to emerging market status from the current frontier market status.

In the wider MENA region, Egypt, Morocco and Algeria recorded one deal each amounting to a total value of US$ 176.7 million. The IPO of Sarwa Capital on the Egyptian Stock Exchange raised US$ 123.2 million during Q4 2018. The government of Egypt delayed the sell-off of a 4.5% stake in the State-owned Eastern Tobacco Company owing to market volatility. Many private IPOs tentatively planned for the quarter were also pushed to 2019 citing market volatility, as per EY. In Morocco, the IPO of Mutandis SCA raised US$ 44.0 million in Q4, making it the second IPO in 2018 on the Casablanca Stock Exchange.

The Algiers Stock Exchange witnessed the first SME to introduce its capital on the stock market, with the IPO of AOM Invest Spa raising US$ 9.5 million during Q4 2018. The Algiers Stock Exchange has opened the SME segment as part of the financial market's modernization project, with the objective of increasing its contribution to the mobilization of savings and the financing of the economy.

While pipelines remain robust, IPO activity is expected to progress at a cautious pace during Q1 2019 owing to volatility in oil prices, coupled with geopolitical tension in the region and volatility in global equity markets, as per EY.

JORDAN'S CONSTRAINED FISCAL POSITION AND CONTINUED REGIONAL INSTABILITY TO LEAD TO ONLY A GRADUAL ECONOMIC RECOVERY IN 2019, SAYS EIU

According to a recent report by the Economist Intelligence Unit (EIU), Jordan's constrained fiscal position and continued regional instability would lead to only a gradual economic recovery in 2019.

Trade and investment opportunities in Jordan's two largest traditional markets, Iraq and Syria, would increase throughout the forecast period, as the political situation has stabilized in both nations.

Large infrastructure and tourism projects are expected to increase employment opportunities, as private-sector participation and support from multilateral agencies are likely to help the funding of these projects. Government support for low-income groups would also underpin spending power, helping to offset a reduction in subsidies, with private consumption rising more strongly in 2020, when an election would be held.

Jordan's relative stability and position as a hub for multilateral agencies and businesses serving both Iraq and Syria should help to sustain investment, as per the EIU. Nonetheless, growth is likely to weaken in 2020, owing to an expected downturn in the US economy (Jordan's largest export market), which would lead to slower export growth, mainly in the textile sector.

It is worth noting that the Jordanian government is trying to balance its aspiration to modernize the economy, in a bid to boost growth and employment prospects, with the need to consolidate the public finances (with the backing of the IMF), while maintaining political stability. The country announced a two-year development plan (2019-2020) with improving public services as its main policy priority.

Some major infrastructure projects, such as the Bus Rapid Transit in the capital, Amman, and a freight railway connecting Amman and Aqaba, are also likely to be restarted in early 2019. However, the plan is too optimistic given the country's weak financial position, which would make funding these capital-intensive projects difficult.

Last but not least, the country's inflation would ease to an annual average of 3% in 2019-2020, from an estimated 4.6% in 2018, as the effects of higher domestic energy and transport costs fade and annual average global oil prices decline. Consumer prices would also depend on fluctuations in global food prices.

CI LOWERS OMAN'S ISSUER RATINGS TO "BBB-" FROM "BBB"

Capital Intelligence (CI) lowered Oman's Long-Term Foreign Currency (LT FC) and Long-Term Local Currency (LT LC) Issuer Ratings to "BBB-" from "BBB". At the same time, CI affirmed the sovereign's Short-Term Foreign Currency (ST FC) and Short-Term Local Currency (ST LC) Ratings at "A3". The outlook for the ratings was revised to "stable" from "negative".

The downgrade of the ratings reflects CI Ratings' expectation that Oman's public and external debt would increase substantially over the forecast horizon due to large deficits in the government budget and the current account. Furthermore, CI considers the government's fiscal consolidation measures to be insufficient for arresting the deterioration in public finance metrics.

In CI's opinion, the projected weakening in public and external debt metrics over the forecast horizon is consistent with a "BBB-" rating. The ratings also take into account potential support measures from other more affluent Gulf Cooperation Council (GCC) countries, substantial external buffers, geopolitical risks and the economy's high reliance on hydrocarbon export revenues.

While CI continues to regard Oman's current public and external debt as moderate, their trajectory is considered an important risk factor for Oman's credit profile. Oman's fiscal and external accounts continue to suffer from the sharp decline in oil and gas prices since the summer of 2014. Despite a moderate rebound in hydrocarbon prices in the past two years, CI expects Oman to continue to incur sizeable fiscal and current account deficits, averaging 9.5% and 6.2% of GDP, respectively, during 2019-20.

IRAQ'S "STABLE" OUTLOOK REFLECTS S&P'S OPINION THAT RISKS TO FISCAL PERFORMANCE WOULD BE CONTAINED

Standard & Poor's (S&P) affirmed the "B-" long-term and "B" short-term foreign and local currency sovereign credit ratings on Iraq. The outlook is "stable".

The "stable" outlook reflects the rating agency's opinion that risks to Iraq's fiscal performance would be contained. The government's expansionary 2019 budget faces limitations on potential financing lines, as well as conditions associated with the possible resumption of Iraq's IMF program.

S&P could lower the ratings if, contrary to the rating agency's expectations, the government maintains its extremely expansionary fiscal plans and its net debt or debt servicing costs were to rise sharply. This could also occur if oil revenues fell further than expected and the government was unable to cut expenditure or implement countermeasures.

Standard & Poor's does not expect to raise the ratings over the next 12 months, but it could if Iraq's political and security situation improves meaningfully, along with its public finances.

The ratings on Iraq are constrained by its nascent political institutions and domestic political tensions as well as security risks. S&P's ratings are underpinned by the fact that the majority of Iraq's oil output is in areas firmly under the control of the federal government. Crucially, more than 85% of Iraq's oil fields and oil output are located in the south of the country, some distance from the volatile areas formerly held by Islamic State (IS).

Despite a significant hydrocarbon endowment, Iraq's GDP per capita remains low and economic activity weak, as per S&P. Monetary policy is largely constrained by the weakness of the banking system. The country's external indebtedness is relatively low, reducing external risks.

However, the rating agency views external liquidity as relatively constrained, partly because it excludes the monetary base from its calculation of the Central Bank of Iraq's (CBI's) usable reserves, in line with other sovereigns, owing to Iraq maintaining a pegged exchange rate.

SURVEYS

DUBAI'S PROPERTY PRICES TO STABILIZE BY 2020, AS PER S&P

S&P expects property prices in Dubai to stabilize by 2020 but doesn't not see any meaningful recovery in 2021.

According to the report, after peaking in second half of 2014, Dubai residential property prices have been declining over the past few years and are approaching levels last seen at the nadir of the 2009-2010 property crash.

Given the continued gap between supply and demand, in S&P's base case the agency expects prices to fall a further 5%-10% in 2019 before a gradual stabilization in 2020, though without a meaningful recovery in 2021. In its stress case, S&P projects a more pronounced decline in prices, with the market only stabilizing in 2021.

Weak market conditions will continue to translate in higher leverage in the real estate sector and has already led to some negative rating actions over the past six months. S&P's ratings on banks, and insurance companies already incorporate these weakening real estate prices. While not the base case scenario, a more pronounced price decline could conspire if supply isn't reigned in especially if major developers continue to launch new projects in a weak market.

Dubai, unlike other sovereigns in the Gulf Cooperation Countries (GCC), is not an oil economy and has instead made its name as an international business hub in the region. As with most service-led economies, the real estate sector has become an important contributor, representing about 7% of nominal GDP, alongside construction activities also at about 7% and a barometer of investor sentiment in Dubai. The real estate sector has proven to be volatile, subject to the indirect economic effects of swings in oil prices, but also somewhat to geopolitical risk.

The Dubai property market's long decline since a peak in second-half 2014 has prompted speculation about when it will reach bottom and begin to rebound. Since their last peak in 2014, prices and rents have fallen 25%-33% in nominal terms (according to Asteco).

BAHRAIN RETAIL SECTOR POSTS SOLID GROWTH IN Q1, AS PER CBRE

Bahrain continues to witness growth in development and investment in the retail sector, according to new data released by global real estate consultancy firm CBRE.

Total retail stock in the regional and super -regional mall category in Bahrain stood at 860,700 square meters of gross leasable area (GLA) in the first quarter of 2019, it stated.

With six projects currently under construction and planned for completion in 2022, the delivery is set to increase supply by 34%, further positioning the country as a regional retail destination, said the real estate expert.

The Bahrain Retail Q1 Snapshot report revealed these future projects will be consistently larger in scale than existing comparable.

In 2019, only 4% of supply have a GLA of between 80,000 and 120,000 square meters, while 33% of pipeline stock is expected to fall into this range, it stated.

Retail remains one of Bahrain's most dynamic sectors, and despite a relatively small population, the Kingdom attracts a growing number of tourists, as per CBRE.

Furthermore, the launch of the Bahrain Shopping Festival "Shop Bahrain" five years ago demonstrated that the retail sector is an important sub-sector in the Kingdom.

The popularity of open retail plazas is also gaining traction, with 21 projects under this classification and another 17 in the planning and construction phase, as per the same source.

The report also shows that average rental rates for in-line units have been stable since 2015, down by 1% year-on-year.

It is worth noting that occupancy levels in Bahrain's shopping malls currently stand at an average of 78% across all properties.

However, the retail supply due to come online is anticipated to exert some downward pressure on rents over the next 12 to 18 months.

That said, the overall stable retail rents and positive government interventions have ignited developer confidence and incentivized investors to do business in the Kingdom, as per CBRE.

INSURANCE MARKET OF THE UAE CONTINUED ITS EARNINGS MOMENTUM IN 2018, AS PER AM BEST

The insurance market of the United Arab Emirates (UAE) continued its earnings momentum in 2018 to post a second consecutive year of bumper profits. AM Best's analysis of the preliminary disclosures of the national insurers listed on the Abu Dhabi Securities Exchange (ADX) and the Dubai Financial Market (DFM) has shown material improvements in both underwriting and overall performance, combined with modest premium growth, according to a new report by AM Best.

In the research, titled "Profits Continue to Rise for National Insurers in the United Arab Emirates," AM Best notes that in 2018, aggregate underwriting profits for UAE-listed insurers experienced a marginal decline of 1.7% to reach AED 1.7 billion. However, net profits reported an increase of 6.4% to AED 1.4 billion.

Underwriting returns continue to benefit from improvements in pricing and underwriting discipline as a result of regulatory changes in 2017 in the key business lines of motor and medical insurance. AM Best also notes that policies underwritten in 2017 continued to benefit 2018 results, favorably contributing to technical earnings.

The report states following two years of strong premium growth in volume and rates, gross written premium (GWP) increased modestly in 2018. Overall, listed insurers generated combined GWP of AED 21.9 billion during 2018, representing an uplift of 0.5% from 2017.

Despite the strong results in 2018, AM Best expects 2019 to be more challenging. Of prime concern is the softening of rates for motor, which occurred in 2018. Additionally, pricing across all other lines has reduced, driven by the highly competitive market environment. These policies will earn out in 2019 and could lead to technical margin erosion. Further softening of rates in 2019 would not be unexpected.

A continuing area of unease for AM Best remains the prospective performance of medical, particularly relating to the Dubai Health Authority (DHA) schemes. Whilst these policies have thus far performed well, AM Best expects a deterioration in margins going forward as policyholders become more aware of their cover and the claims-making process. Additionally, continued fluctuations in oil prices and reduced government spending will continue to affect insurance purchasing.

CORPORATE NEWS

US-BASED FLUOR WINS HALLIBURTON CHEMICALS PROJECT IN SAUDI ARABIA

Fluor Corporation secured a major contract to provide engineering, procurement and construction services (EPC) for the Halliburton Specialty Chemicals Manufacturing Reaction Plant located in PlasChem Park in Saudi Arabia.

The new chemicals facility will produce a wide range of specialty chemical products and intermediates to supply both the upstream and downstream oil and gas production industries.

PlasChem Park, located in Jubail Industrial City II next to Sadara's new manufacturing complex, is a 12-square-kms industrial space dedicated for the chemical and conversion industries.

UAE'S LUKOIL MARINE LUBRICANTS SIGNS CONTRACT WITH OMAN SHIPPING

UAE-based Lukoil Marine Lubricants Middle East, a subsidiary of Russia's Lukoil Oil Company, signed a guaranteed three-year contract with Oman Shipping Company (OSC).

The deal provides OSC the option of extending the partnership an additional two years to ultimately bring the agreement to a total of five years.

As per the contractual obligations, Lukoil's supply shall cover OSC's fleet of 39 vessels consisting of very large crude carriers (VLCC), product tankers, chemical tankers, LPG carriers, very large ore carriers (VLOCs) and bulk carriers.

DP WORLD ACQUIRES P&O FERRIES

DP World, an enabler of global trade, announced the acquisition of the holding company of P&O Ferries and P&O Ferrymasters (together P&O Ferries) for £ 322 million (US$ 421 million).

P&O Ferries is a pan-European integrated logistics business consisting of a market leading roll-on roll-off (Ro-Ro) ferries operation and P&O Ferrymasters is a European transportation and logistics solutions provider.

P&O Ferries operates a fleet of 21 vessels on the Short Sea, North Sea and Irish Sea sectors across 11 ports while P&O Ferrymasters provides supply chain solutions in 19 European locations.

DP World Limited, together with its subsidiaries, develops and manages international marine and inland terminal operations, maritime services, industrial parks and economic zones, logistics and ancillary services, and technology-driven trade solutions. It has a portfolio of 78 operating marine and inland terminals. The company also owns and operates a fleet of specialist vessels, including tugs, ice breakers and river barges providing logistics solutions to public and private sector customers and offers third party inspection services for container handling equipment, as well as onsite inspection services for existing equipment.

SAUDI ELECTRICITY CO TO SIGN US$ 4 BILLION SYNDICATED LOAN

State-controlled Saudi Electricity Co said it would sign a SR 15.2 billion (US$ 4.1 billion) Islamic syndicated loan provided by a group of local banks.

The loan has a Murabaha structure, a cost-plus-profit arrangement which complies with Islamic finance standards, and will be used for general corporate purposes, including capital expenditure, the company said in a statement.

In November, the company secured US$ 2.2 billion in syndicated revolving credit facilities, which followed another US$ 2 billion raised through Sukuk, or Islamic bonds, in September.

The new financing, with a seven-year maturity, will be provided by a group of domestic banks comprising Al Rajhi Bank , National Commercial Bank, Saudi British Bank, Banque Saudi Fransi, Samba Financial Group and Arab National Bank, the company said.

Saudi Electricity Company engages in the generation, transmission and distribution of electric power. It also provides financial services and constructs, leases, manages, and operates electric and fiber optic networks to provide telecommunication services, as well as offers services and support needed in relation to the issuance of bonds and Sukuk. In addition, the company manages construction projects, develops designs, purchases materials and executes projects in the energy sector. It serves governmental, industrial, agricultural, commercial, and residential customers in the Kingdom of Saudi Arabia.

GERMANY'S OBERMEYER WINS KUWAIT AIRPORT PROJECT DEAL

Kuwait signed up Obermeyer, one of Germany's oldest engineering consultancies, to manage its future projects including a new development plan for Kuwait International Airport.

The contract, valid for five years, envisages management of current and planned ventures, such as building the third runway and a new observation post, as per the Directorate General for Civil Aviation.

The government envisions plans for executing future projects for the airport, such as overhauling the western runway, building three others in the future, two observation towers and five passenger terminals after finishing the T-2 terminal.

GE SUPPLIES ADVANCED GAS TURBINE TO IRAQ POWER PLANT

GE Power has provided an advanced 9E gas turbine to the Al Qudus Power Plant in Iraq. GE will also service up to seven GE 9E gas turbines at the facility throughout 2019, including maintenance, supply of parts and rehabilitation.

GE is installing the new gas turbine at the site and it is expected to generate up to an additional 125 megawatts (MW) of electricity. The service agreement will enhance the reliability of operations at the plant, helping to maintain a stable supply of up to 875 megawatts (MW) of power over the course of the coming year.

GE’s 9E technology is capable of running on more than 50 different kinds of fuel. This allows the Ministry of Electricity the flexibility it needs to operate the unit on the most economical source available and to keep generating power using liquid fuels when gas is unavailable.

ITALY’S FPT INDUSTRIAL PARTNERS WITH EGYPTIAN FIRM TO EXPAND IN MIDDLE EAST AND AFRICA

Italy-based FPT Industrial, a manufacturer and seller of powertrains for industrial vehicles, said it is broadening its business in Middle East and Africa (MEA) through a partnership with a new dealer in Egypt.

The dealer will also provide stock and sales of FPT spare parts, as per a company statement.

FPT Industrial already has presence in Morocco, Algeria, Tunisia, Democratic Republic of Congo, Angola and South Africa. The new partnership will expand the company’s position in the continent and unveil the potential of the Egyptian market, as per the same source.

CAPITAL MARKETS

EQUITY MARKETS: SHY WEEKLY PRICE GAINS

MENA equity markets registered shy price gains week-on-week, as reflected by a 0.3% rise in the S&P Pan Arab Composite Index. The UAE equity markets led the advance in the region, posting price increases of 3.4%, while the Qatar Exchange and the Egyptian Exchange recorded price rises of 1.9% and 1.3% respectively. In contrast, the heavyweight Saudi Tadawul posted shy weekly price retreats of 0.9%.

The UAE equity markets registered a 3.4% surge in prices week-on-week, mainly driven by some favorable financial results in the realty sector, as property firms in Dubai showed some signs of recovery during the fourth quarter of 2018, and on improved sentiment in Abu Dhabi after ADCB and UNB have recently agreed to a merger to create an entity that would take over Al Hilal Bank and become the third largest lender in the UAE. In Dubai, Emaar Properties' share price went up by 3.2% to close at AED 4.81. Emaar Properties announced net profits of AED 1.95 billion during the fourth quarter of 2018 as compared to net profits of AED 1.46 billion during the corresponding period of the previous year, prior to considering the effect of the IPO of Emaar Development and forex movement. Emaar Malls' share price climbed by 5.1% to close at AED 1.84. Emaar Malls registered net profits of AED 591 million during the fourth quarter of 2018 as compared to net profits of AED 579 million a year earlier.

In Abu Dhabi, ADIB's share price surged by 4.2% week-on-week to close at AED 4.47. ADIB is weighing strategic options for its business, including a potential merger. ADCB's share price climbed by 4.5% to close at AED 9.79. UNB's share price jumped by 5.4% to AED 5.45. First Abu Dhabi Bank's share price went up by 0.4% to AED 14.96.

The Egyptian Exchange posted a 1.3% rise in prices week-on-week, mainly helped by some favorable company-specific factors. Orascom Investment Holding's share price jumped by 8.3% to LE 0.72. Orascom Investment Holding said that it saw possible investment opportunities in North Korea if a summit between the US and the North Korean leaders was successful later this month. Vodafone Egypt's share price surged by 7.7% to LE 121.42. Telecom Egypt's share price closed 2.5% higher at LE 14.84. Telecom Egypt agreed to provide Vodafone Egypt with transmission and infrastructure services for ten years in a deal valued at LE 10.85 billion. Madinet Nasr for Housing and Development's share

EQUITY MARKETS INDICATORS (FEBRUARY 17 TILL FEBRUARY 23, 2019)

Market	Price Index	Week-on Week	Year- to Date	Trading Value	Week-on Week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	80.9	-0.9%	-3.5%	1.9	-67.9%	0.2	8,794.0	1.1%	5.0	0.67
Jordan	393.9	1.2%	3.2%	23.9	-13.8%	17.4	23,352.4	5.3%	12.7	1.69
Egypt	333.5	1.3%	21.1%	356.9	26.8%	1,652.3	49,569.7	37.4%	11.3	2.75
Saudi Arabia	372.8	-0.9%	10.1%	2,665.5	-17.1%	460.2	541,324.3	25.6%	16.7	2.50
Qatar	181.3	1.9%	-3.9%	443.1	79.8%	52.6	158,563.5	14.5%	13.7	1.97
UAE	117.5	3.4%	3.9%	529.6	1.6%	831.4	245,577.4	11.2%	11.8	1.98
Oman	201.0	-1.5%	-5.7%	30.6	-12.6%	68.7	17,760.1	9.0%	9.7	0.96
Bahrain	132.4	2.9%	10.6%	13.8	-15.0%	23.6	22,270.5	3.2%	10.1	1.27
Kuwait	97.0	1.4%	2.5%	315.3	-21.6%	592.9	87,332.4	18.8%	14.6	1.64
Morocco	267.4	-1.0%	-0.7%	46.1	0.5%	1.6	60,862.4	3.9%	18.9	4.26
Tunisia	68.8	2.1%	-2.1%	10.8	49.1%	4.0	7,968.1	7.0%	15.2	2.97
Arabian Markets	**771.3**	**0.3%**	**5.8%**	**4,437.5**	**-7.6%**	**3,704.8**	**1,223,374.7**	**18.9%**	**14.7**	**2.29**

Values in US$ million; volumes in millions   * Market cap-weighted averages

Sources: S&P, Bloomberg, Bank Audi's Group Research Department price jumped by 5.7% to LE 7.59. The firm announced 2018 net profits of LE 1.1 billion as compared to net profits of LE 932 million a year earlier.

The Qatar Exchange recorded a 1.9% increase in prices week-on-week, mainly supported by some favorable company-specific factors and extended oil price gains on hopes that the US and China would soon reach a deal to end their trade war. 29 out of 46 listed stocks registered price gains, while 14 stocks posted price falls and three stocks saw no price change week-on-week. Mesaieed Petrochem's share price surged by 12.1% to QR 17.45. The company announced 2018 net profits of QR 1.4 billion as compared to net profits of QR 1.1 billion in 2017. Industries Qatar's share price jumped by 6.2% to QR 134.90. Qatar Electricity & Water Company's share price went up by 2.5% to QR 182.0.

In contrast, the heavyweight Saudi Tadawul registered a 0.9% retreat in prices week-on-week, mainly dragged by some unfavorable company-specific factors and profit-taking operations, as the bourse was the second best performer in the MENA region so far this year, posting double-digit year-to-date price gains ahead of the inclusion of Saudi Arabia in the FTSE and MSCI emerging market indices later this year. NCB's share price dropped by 3.7% to SR 52.60. Banque Saudi Fransi's share price declined by 2.3% to SR 37.50. SABB's share price decreased by 1.1% to SR 37.10. Samba's share price fell by 1.2% to SR 37.05. Petro Rabigh's share price retreated by 0.3% to SR 19.56. The company reported a net loss of SR 105 million during the fourth quarter of 2018, as compared to net profits of SR 641 million during the corresponding period of 2017.

FIXED INCOME MARKETS: ACTIVITY MOSTLY SKEWED TO THE UPSIDE

Activity in MENA fixed income markets was mostly skewed to the upside this week, mainly tracking prices of US Treasuries which remained high amid lingering concerns about a weakening global economy.

In the Egyptian credit space, the Ministry of Finance issued this week US$ 4 billion worth of international bonds on three different sets: US$ 750 million five-year bonds with annual interest rates of 6.2%; US$ 1.75 billion 10-year bonds with annual interest rates of 7.6%; and US$ 1.5 billion 30-year bonds with annual interest rates of 8.7%. The order book size exceeded US$ 21.5 billion. Within this context, the Egyptian Finance Ministry said that the government is looking to raise the share of longer-dated debt to about 70% of annual domestic issuance by 2022.

In parallel, Egyptian sovereigns saw price gains across the board this week. Egypt'20, '22 and '23 were up by 0.31 pt, 0.38 pt and 0.63 pt respectively over the week. Prices of sovereigns maturing in 2025, 2027 and 2028 rose by up to 1.75 pt. Egypt'40, '47 and '48 saw price gains of 1.38 pt, 2.88 pts and 2.50 pts respectively. Also, Euro-denominated sovereigns maturing in 2026 and 2030 closed up by 1.13 pt and 1.50 pt respectively.

In the Iraqi credit space, sovereigns maturing in 2023 and 2028 were up by 0.75 pt and 0.50 pt respectively week-on-week. As to credit ratings, Standard & Poor's affirmed the "B-" long-term and "B" short-term foreign and local currency sovereign credit ratings on Iraq, with "stable" outlook. The "stable" outlook reflects S&P's opinion that risks to Iraq's fiscal performance would be contained.

In the Saudi credit space, sovereigns maturing in 2021, 2022, 2023 and 2025 registered price improvements of up to 0.31 pt this week. In contrast, Saudi'26 was down by 0.19 pt. Sovereigns maturing between 2028 and 2050 recorded price falls of 0.06 pt to 0.69 pt. As to plans for new issues, Saudi Aramco is likely to select Standard Chartered and BNP Paribas among about a dozen banks likely to be added as co-managers for its landmark international bond sale.

In the Bahraini credit space, sovereigns maturing between 2021 and 2025 posted price retreats ranging between 0.13 pt and 0.38 pt, while sovereigns maturing between 2026 and 2047 registered price rises of 0.63 pt to 1.75 pt week-on-week. NOGA'24, '27 and '28 were up by 1.12 pt, 0.75 pt and 1.00 pt respectively.

In the Omani credit space, sovereigns saw price increases across the board, with papers maturing between 2021 and 2048 recording weekly price improvements of 0.56 pt to 4.0 pts. As to credit ratings, Capital Intelligence lowered Oman's long-term foreign currency and long-term local currency Issuer Ratings to "BBB-" from "BBB". CI affirmed the sovereign's short-term foreign currency and short-term local currency ratings at "A3". The outlook for the ratings has been revised to "stable" from "negative". The downgrade of the ratings reflects CI's expectation that Oman's public and external debt would increase substantially over the forecast horizon due to large deficits in the government budget and the current account. In parallel, prices of Omantel'23 and '28 rose by 1.75 pt and 1.88 pt respectively. Oman manufacturing Group'25 and '27 were up by 1.75 pt and 2.0 pts respectively.

In the Qatari credit space, sovereigns maturing in 2020, 2021 and 2023 (offering a coupon of 3.875%) were up by 0.19 pt, 0.13 pt and 0.15 pt respectively over the week. In contrast, sovereigns maturing in 2019, 2022 and 2023 (offering a coupon of 3.241%) closed down by up to 0.10 pt. Sovereigns maturing between 2026 and 2048 posted price declines of 0.13 pt to 1.00 pt.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	22-Feb-19	15-Feb-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	61	61	67	0	-6
Dubai	128	129	129	-1	-1
Kuwait	67	67	66	0	1
Qatar	75	75	82	0	-7
Saudi Arabia	88	91	105	-3	-17
Bahrain	251	256	293	-5	-42
Morocco	102	103	111	-1	-9
Egypt	347	361	391	-14	-44
Lebanon	698	690	770	8	-72
Iraq	387	393	519	-6	-132
Middle East	**221**	**223**	**254**	**-2**	**-33**
Emerging Markets	**125**	**127**	**188**	**-2**	**-63**
Global	**161**	**161**	**189**	**0**	**-28**

Sources: Bloomberg, Bank Audi's Group Research Department

Z-SPREAD BASED AUDI MENA BOND INDEX V/S INTERNATIONAL BENCHMARKS

Sources: Bloomberg, JP Morgan, Bank Audi's Group Research Department

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	B-/Stable/B	Caa1/Stable	B-/Negative/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	NR
Egypt	B/Stable/B	B3/Positive	B/Positive/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Stable/B	Baa3/Negative	BB+/Stable/F3
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	B2/Stable	B+/Negative/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated   RWN= Rating Watch Negative   * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	22-Feb-19	15-Feb-19	31-Dec-18	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	17.54	17.54	17.92	0.0%	-2.1%
Iraqi Dinar (IQD)	1,182.28	1,194.77	1,192.68	-1.0%	-0.9%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.65	3.66	3.65	-0.1%	0.0%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.39	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	119.05	119.05	117.65	0.0%	1.2%
Moroccan Dirham (MAD)	9.56	9.54	9.54	0.2%	0.2%
Tunisian Dinar (TND)	3.04	3.06	3.05	-0.7%	-0.1%
Libyan Dinar (LYD)	1.39	1.38	1.40	0.1%	-0.9%
Sudanese Pound (SDG)	47.62	47.62	47.62	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department